

Technical Note
Gross Domestic Product, Third Quarter 2003 (Final)
December 23, 2003

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; the note also provides some perspective on the estimates. Additional material is available on BEA's Web site <www.bea.gov>. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

On December 10, 2003, BEA began releasing the results of its 12th comprehensive revision of the national income and product accounts. Estimates included in today's release reflect the changes in definitions and methodological improvements introduced in that revision.

Real GDP (revised): Real GDP is now estimated to have increased at an annual rate of 8.2 percent in the third quarter, the same as in the preliminary estimate released November 25. As in the preliminary estimate, growth was boosted by consumer spending, by business investment in equipment and software, by investment in housing, and by exports. Real GDP increased 3.1 percent in the second quarter.

Prices (revised): The chain-type price index for gross domestic purchases is now estimated to have increased 1.8 percent in the third quarter, the same as in the preliminary estimate. The index had increased 0.4 percent in the second quarter. The step-up from the second quarter to the third partly reflected an upturn in energy prices.

Corporate Profits (revised): Profits from current production (that is, "corporate profits with inventory valuation and capital consumption adjustments") increased 9.9 percent (quarterly rate) in the third quarter, 1.9 percentage points less than in the preliminary estimate; profits increased 10.3 percent in the second quarter.

The current-production measure of profits differs from profits as they are reported in corporate financial statements. It excludes certain non-operating items, such as special charges and capital gains and losses, and it values depreciation of fixed assets and inventory withdrawals at current cost, rather than at historical cost.

Source of Revisions

The final estimate of the third-quarter increase in real GDP is the same as the preliminary estimate, reflecting offsetting revisions to a number of components. These revisions to GDP largely reflect the changes in definitions and methodological improvements that were introduced in the comprehensive revision.

- C Consumer spending was revised up, reflecting upward revisions to spending for services and for durable goods.
- C Inventory investment was revised down, primarily reflecting a downward revision to retail trade inventories; the revision to retail inventories was more than accounted for by motor vehicle dealers.

The final estimate of the third-quarter increase in the price index for gross domestic purchases is the same as the preliminary estimate, reflecting offsetting revisions to a number of components.

- C The PCE price index was revised down; the revision was primarily accounted for by services prices. The largest contributor to the revision was the implicit price of services furnished without payment by commercial banks, reflecting newly available FDIC Call Report data and the definitional change to the measure of banking services introduced in the NIPA comprehensive revision.
- C The prices of business investment in equipment and software and of state and local government spending were revised up.

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